

TESTIMONY OF  
ON BEHALF OF  
THE CONNECTICUT LIGHT AND POWER COMPANY and YANKEE GAS  
SERVICES COMPANY

FEBRUARY 10, 2009

Good afternoon. My name is Richard Soderman and I am Director of Legislative Policy for Northeast Utilities, here on behalf of The Connecticut Light and Power Company and Yankee Gas Services Company. We appreciate the opportunity to speak to you today about the complex energy challenges now facing Connecticut, and to provide comments on Proposed Bills numbered 596, 602, 670, 5052, 5987, 6000, 6001 and 6329.

CL&P has been part of everyday life in Connecticut for more than 100 years, providing safe and reliable electric service to homes, neighborhoods and businesses. With 1.2 million customers in 149 cities and towns, and 1,900 employees, CL&P is an active member in the communities it serves, including the largest taxpayer in most, offering programs in energy efficiency, economic development and environmental stewardship. Yankee Gas is Connecticut's largest natural gas distribution company, with over 400 employees delivering safe, reliable natural gas service to approximately 205,000 customers in 71 cities and towns. Yankee Gas is expanding Connecticut's energy options and increasing customer choice by extending the availability of clean, efficient natural gas throughout the state. Our service company adds another 2,000 employees, most of whom are located in Connecticut.



As you are well aware, electric generation rates in Connecticut have remained high, primarily as a result of higher costs of wholesale energy that we purchase for our customers as required by state law. The current economic crisis has placed a significant burden on our customers and the State's economy, and high energy costs certainly do not help. Short-term natural gas prices, fortunately, have declined sharply, providing some relief to our gas customers. This Committee, the legislature, the Governor, the Attorney General, and state agencies should be commended for seeking to improve this situation. CL&P remains committed to working with all parties to develop solutions for Connecticut's energy problems.

Before commenting on the proposed legislation on today's agenda, allow me to tell you about actions that CL&P is taking to help reduce customer's energy bills.

### **Congestion Management**

- Congestion occurs when more costly generation runs because of inadequate transmission.
- Through careful risk mitigation strategies, CL&P has managed congestion expense for standard service and last resort service load since 2004, saving our customers \$250 million even before we completed new transmission upgrades.

### **Energy Efficiency Programs**

- Our nationally recognized programs save \$4 for every \$1 spent
- Efficiency measures installed in 2008 alone will provide customers with \$360 million lifetime power supply savings and



eliminate 1.8 million tons of carbon dioxide, a major greenhouse gas.

- Tens of thousands of customers have participated annually in our nationally recognized, award-winning programs since 2000.
- More homes were touched by just lighting programs alone. During the last year, 2.4 million efficient bulbs were sold through our programs, on average more than two per home, thereby saving each home \$16 per year.

### **Bilateral Contracts**

- Connecticut needs economic, environmentally-friendly electric generation resources to meet its emissions goals into the future and to be economic for its consumers;
- We are negotiating with Hydro Quebec to get power from northern Canada to provide economic, clean power for Connecticut consumers.
- And, consistent with prior legislative direction, with oversight by the DPUC and Consumer Counsel, we are seeking supply contracts directly with local generators if those arrangements can benefit consumers.

### **Cost of service peaking generation**

- As you will recall, CL&P was in the forefront of advocating for legislation that would allow cost-based generation to be developed in Connecticut.
- Even though our proposals were not selected in the DPUC's RFP, our legislative advocacy contributed to solutions lowering costs for consumers.



**Transmission Upgrades**

- We completed several transmission projects in Southwest Connecticut, under budget and ahead of schedule, that will make our electric system more reliable.
- These lines also substantially reduce congestion permanently, thereby saving Connecticut customers millions of dollars. Last month, January, there was no meaningful congestion in Connecticut.

To facilitate your review of my written testimony, I have put my comments on each bill on a separate page.





**1. Proposed S. B. Bill No. 596 (AAC THE ENVIRONMENTAL  
IMPACT OF UTILITIES)**

This proposed bill apparently calls for utility companies to retain responsibility for the environmental impact of their business. Based on the bill as drafted, it is unclear whether this bill is intended to prevent some action that would relieve utilities of existing environmental impacts or if it is an attempt to assign new responsibilities to utilities for ambiguous environmental impacts that have not yet been defined. Existing environmental law already identifies responsibility for environmental impacts, and for those for which we are responsible, there is no need for additional law to clarify those obligations.

If the purpose of the proposed bill is to assign new responsibilities to us for impacts caused by others, or to somehow create new yet undefined impacts, we oppose such measures. As you are aware, existing state law on electric industry restructuring required us to sell our generating plants to competitive entities, and environmental obligations for those plants now rests with the new owners, pursuant to purchase and sale contracts. We would oppose efforts to reopen those contractual obligations.

If the purpose of the proposed bill is to create new responsibilities for undefined impacts that would adversely impact the ability to site and construct electric or gas transmission or distribution facilities, we believe that current environmental and siting laws and regulations provide for the appropriate identification, consideration and mitigation of impacts. Further, vague pronouncements on greater responsibility for impacts will make siting and construction more difficult and costly, ultimately raising rates to electric and gas consumers within our state.



Connecticut already has some of the most comprehensive and detailed environmental laws and regulations in the country—we also have some of the highest energy rates. We oppose a proposed bill that would make siting and construction even more difficult than it currently is in Connecticut, and ultimately be detrimental to our customers.



**2. Proposed S. B. Bill No. 602 (AAC THE USE OF SOCIAL SECURITY NUMBERS AS REQUIRED IDENTIFICATION FOR OPENING AN ACCOUNT WITH A PUBLIC SERVICE COMPANY)**

The purpose of this proposed bill is to help prevent identity theft by modifying the rules for using social security numbers as a required identification for opening an account with public service companies. Social security numbers are our main source in obtaining proper identification for our customers. Social security numbers can be verified through credit verification systems and are an invaluable tool in managing bad debts. Clearly, if we are unable to actively pursue bad debts, it means that we must charge other customers more to make up that shortfall.

For our normal customer identification, our new customer service system only allows our representatives to see the last four digits. This permits us to limit access to customer information yet provides the only reasonable means to confirm identification over the phone. Without this approach, more customers would be required to visit our offices to confirm identity.

I note that, in order to establish most credit transactions, such as credit cards, social security numbers are a requirement of service.

I also note that we have taken measures, such as compliance with federal requirements through the development and implementation of "Red Flag" policies to help protect our customers' identities. While no system is perfect, we believe that we have found the right balance between customer verification and identity protection. We oppose this bill because it would be detrimental to our customers.



**3. Proposed S. B. Bill No. 670 (AN ACT PROMOTING  
HYDROELECTRIC POWER FOR MANUFACTURING)**

This proposed bill would provide a rate discount to a customer who has an installed hydroelectric generator at its facility. While the stated purpose of the proposed bill is to encourage the use of hydroelectric power by manufacturers, it appears to apply to both existing and new generating facilities.

If this proposal would apply to an existing facility, then it would do little to encourage additional hydroelectric generation, since current rates provide a significant incentive for the plant to run as much as possible.

We generally do not support developing rate design for specific customers through legislation. However, if such treatment is going to be provided, then it is imperative that the waived demand charges be recovered by the electric utility through its federally mandated congestions charges, similar to that provided for distributed generation facilities pursuant to Public Act 05-01.





**4. Proposed H. B. Bill No. 5052 (AN ACT PROHIBITING UTILITY COMPANY SURCHARGES FOR CREDIT CARD PAYMENTS)**

This bill would prohibit utility companies from charging fees for processing credit or debit card payments. Many customers find it convenient to use credit cards to pay utility bills. About 10,000 customers per month use this approach. It is not mandatory, customers can elect this option if they so desire.

We have arranged with a third party provider to accept credit card payments for residential customers, and they include a charge of \$3.45 for every \$500 charged. Commercial accounts pay a percentage of the total charge. This charge comes from the third party, not our company.

This proposed bill would effectively remove the credit card payment option from customers, because utilities cannot and would not absorb the transaction cost, unless the costs of such arrangements were rolled into the rates paid by all customers. Rolling such charges would require all customers to pay for the service, including those not choosing the credit card option.

Therefore, we oppose this bill because it would be detrimental to our customers.



**5. Proposed H. B. Bill No. 5987 (AAC DONATIONS TO OPERATION FUEL, INCORPORATED)**

This proposed bill is intended to provide additional options for customers who want to contribute to Operation Fuel. We are an active supporter of and a large contributor to Operation Fuel, having provided almost \$1 million of the funds total contributions last year.

Our current system provides customers with the option to enroll in an add-a-dollar program that allows them to sign up for a monthly pledge of \$1-\$10 per month, which is added automatically to their bill. When a donation is added your CL&P bill, we match it with a 50 cent contribution through a special community contribution fund (up to the first \$300,000 in customer contributions). Today, monthly contributions of more than \$10 must be made by separate check, payable to Operation Fuel. We forward all contributions directly to Operation Fuel, which distributes warmth throughout Connecticut via a statewide network of fuel banks. Public Act 07-242 made significant improvements in the process for donating to Operation Fuel.

We could agree to raise the add-a-dollar limit to \$20, as contemplated in this bill. That could be done without new legislation, since Public Act 07-242 would allow such designation. However, it would be administratively difficult and costly to provide a monthly option without pre-enrollment. For this purpose, it remains cost effective to continue the practice of individuals submitting separate checks. We would be pleased to work with the bill's sponsors to find more effective ways to promote donations to Operation Fuel.



**6. Proposed H. B. Bill No. 6000 (AN ACT CREATING GREEN JOBS)**

This bill proposes to establish a program to promote jobs and green energy and conservation. As you know, our existing energy efficiency programs have created many local jobs and represent the most cost effective means to achieve green energy results. It is unclear from the draft bill where funding for such programs would come from. We are supportive of the concept, but we would oppose the diversion of funds from the already successful energy efficiency programs toward this end. Further, it may be appropriate to seek federal recovery funding for such program.



7. **Proposed H. B. Bill No. 6329 (AN ACT PROVIDING A SALES TAX EXEMPTION FOR ENERGY EFFICIENT APPLIANCES)**

This bill provides a graduated sales tax exemption for energy efficient appliances, depending upon efficiency ratings. This exemption can serve as an added financial incentive for consumers to purchase high efficiency appliances. We would add that the definition should also include an Energy Star rating from the U.S. Department of Energy.

Thank you for the opportunity to present testimony at this hearing.